

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6338**

**BILL NUMBER: SB 218**

**NOTE PREPARED: Jan 10, 2012**

**BILL AMENDED:**

**SUBJECT:** TRF Retirement Benefit Adjustment.

**FIRST AUTHOR:** Sen. Skinner

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill provides that the pension portion of the monthly benefit payable to a member of the Indiana State Teachers' Retirement Fund (TRF) who retired before January 1, 1980, and has at least 20 years of creditable service may not be less than \$500.

**Effective Date:** January 1, 2013.

**Explanation of State Expenditures:** The impact would increase state costs for TRF by about \$1.1 M the first year, declining slowly in later years. The TRF Pre-1996 Fund is funded on a pay-as-you-go basis from the General Fund and the Pension Stabilization Fund. The proposal would increase the fund's unfunded accrued liability by about \$6 M.

Currently, 539 retired teachers would qualify for the increased benefit. The benefit amounts of an additional 103 members who are currently receiving a benefit greater than \$500 would also be affected because their beneficiary would otherwise begin to receive less than \$500 per month upon the member's death.

Increasing the minimum monthly benefit to \$500 would increase payments for retirees with low pensions, and also for retirees and surviving beneficiaries who elected to receive a reduced monthly benefit. Retirees may elect to receive a smaller pension benefit in order to begin receiving benefits earlier; may elect to receive a social security-level benefit, which increases TRF payments prior to the age of 62 and reduces payments after age 62; or may elect to receive the joint and survivor forms of payment. In addition, surviving beneficiaries of a retired member who elected joint and survivor form of payment, but elected to receive less than 100% of the benefit upon the member's death, also receive reduced payments.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Indiana State Teachers' Retirement Fund.

**Information Sources:** Allison Karns, Legislative Director, Indiana Public Retirement System, 317-233-4132.

**Fiscal Analyst:** Camille Tesch, 317-232-9866.

**DEFINITIONS**

Actuarial Liability- The actuarial liability is the present value of benefits to be paid by the fund minus the present value of future contributions to be paid into the fund.

Unfunded Actuarial Liability- The unfunded actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.